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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.melco-group.com>

(Stock Code: 200)

DISCLOSEABLE AND CONNECTED TRANSACTIONS PROVISION OF INFORMATION TECHNOLOGY SERVICES TO SOCIEDADE DE JOGOS DE MACAU, S.A.

Financial adviser to Melco International Development Limited



SUMMARY

The Directors are pleased to announce that on 14 November 2008, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Service Arrangement on a conditional basis with SJM, pursuant to which Elixir and SJM confirmed the terms agreed for the provision of Services comprising System Integration Services and Maintenance Services to SJM and/or its subsidiaries for an aggregate value of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

Dr. Stanley Ho is currently a director of certain subsidiaries of the Company and hence is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STDM of approximately 32.204% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. As a result, the Service Arrangement constitutes connected transactions of the Company under Rule 14A.16(5) of the Listing Rules and is subject to the requirements of reporting, announcement and approval by the Independent Shareholders by way of poll at the EGM as set out in Chapter 14A of the Listing Rules. Given that the revenue ratio for the Service Arrangement is more than 5% but less than 25%, the Service Arrangement also constitutes discloseable transactions of the Company under Rule 14.08 of the Listing Rules.

Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolution regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Service Arrangement; (ii) the recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

BACKGROUND

EGL and Elixir are wholly-owned subsidiaries of the Company.

Since its inception in July 2002, the Elixir Group has been engaging in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology and maintenance services to clients predominately in Macau and the Pearl River Delta Area of the PRC. Its clients include companies and enterprises from a wide range of industries such as gaming, retail, entertainment, hospitality as well as banking and finance. The business relationship between the Elixir Group and SJM commenced in January 2003 and during the years from 2003 to 2008, the Elixir Group has entered into several separate service arrangements with SJM for the provision of information technology related services to SJM and/or its subsidiaries.

Given that the Elixir Group has demonstrated its quality of works and services provided under the said previous service arrangements and established a good business relationship with SJM, the Directors are pleased to announce that on 14 November 2008, Elixir has entered into another service arrangement, namely, the Service Arrangement, with SJM which confirms the terms agreed for the provision of System Integration Services and Maintenance Services for the aggregate values of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

THE SERVICE ARRANGEMENT

Date : 14 November 2008

Parties :
i. Elixir
ii. SJM

Information technology related services to be provided under the Service Arrangement

Pursuant to the Service Arrangement, Elixir provides to SJM and/or its subsidiaries such Services comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system and the extra low voltage systems and to provide the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries;
2. supply of parts to the existing systems installed at the various casinos and slot halls operated by SJM and/or its subsidiaries; and
3. Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); and (ii) the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

Consideration

The consideration payable by SJM and/or its subsidiaries under the Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is approximately HK\$42.68 million (as to approximately HK\$36.63 million for digital surveillance camera system and as to approximately HK\$6.05 million for the electronic low voltage system). Such aggregate service charge is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers). The aggregate service charge for the Maintenance Services is approximately HK\$16.45 million (as to approximately HK\$16.00 million for the maintenance services of the existing digital surveillance camera system installed in the various casinos and slot machine halls operated by SJM and/or its subsidiaries and as to approximately HK\$446,900 for the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries under the Service Arrangement). Such aggregate service charge was determined with reference to the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience). The aggregate service charge for the System Integration Services to be provided by Elixir to SJM and/or its subsidiaries is comparable to the market rate and charge to other independent customers of Elixir.

Payment terms

Consideration for the Services provided to SJM and/or its subsidiaries pursuant to the Service Arrangement are made in the following ways:

- (i) by installments in consideration of the extent of services completed by Elixir in relation to the System Integration Services for digital surveillance camera system installed in respect of each of the casinos and slot machine halls operated by SJM and/or its subsidiaries;
- (ii) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the existing and digital surveillance camera system to be installed at the various casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iii) by paying the full amount of the service fee on the Maintenance Services to be provided by Elixir in relation to its existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iv) by paying the full amount in respect of the contract price of the relevant service charge in relation to the System Integration Services for the gaming products upon entering into the Service Arrangement;
- (v) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the System Integration Services for the extra low voltage systems upon entering into the Service Arrangement; and
- (vi) by installments in relation to the Maintenance Services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

Condition Precedent

The Service Arrangement is conditional upon the approval by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules including (without limitation to) the requirement that any Shareholder(s) and their associates interested in the Service Arrangement having abstained from voting at the EGM.

Unless the parties thereto otherwise agree (but nevertheless subject to the relevant requirements under the Listing Rules), the above condition cannot be waived by the relevant parties to the Service Arrangement. In the event that the condition cannot be fulfilled on or before 31 December 2008 (or such other date(s) as the parties may mutually agree), SJM may, by notice to Elixir, terminate the Service Arrangement. None of the parties to the Service Arrangement will have any obligations and liabilities save for any antecedent breach of the terms thereof.

CONNECTED PERSON AND INDEPENDENT SHAREHOLDERS' APPROVAL

SJM is a company incorporated under the laws of Macau owned as to 10% by Dr. Stanley Ho and 90% by SJM Holdings. SJM Holdings is owned as to 60% by STDM-Investments Limited, a company incorporated under the laws of Macau and owned as to 0.01% by Dr. Stanley Ho and as to 99.99% by STDM, which in turn is owned as to approximately 32.204% by Dr. Stanley Ho. SJM is principally engaged in gaming business in Macau and is one of the six concessionaires/sub-concessionaires licensed to carry on casino operations in Macau.

Dr. Stanley Ho is currently a director of certain subsidiaries of the Company and hence is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STDM of approximately 32.204% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM.

Based on the above, the Service Arrangement constitutes connected transactions of the Company under Rule 14A.16(5) of the Listing Rules and is subject to the requirements of reporting, announcement and approval by the Independent Shareholders by way of poll at the EGM as set out in Chapter 14A of the Listing Rules.

Given that the revenue ratio for the Service Arrangement is more than 5% but less than 25%, the Service Arrangement also constitutes discloseable transactions of the Company under Rule 14.08 of the Listing Rules.

Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolution(s) regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENT

The Group's business can be principally segregated into four divisions, namely, (i) leisure and entertainment; (ii) technology; (iii) financial services; and (iv) property and other investments. Elixir, an indirect wholly-owned subsidiary of the Company, is the major technology arm of the Group based in Macau and is principally engaged in the distribution of gaming products and other gaming products to casino operators. It also supplies integrated systems to hotels and casino operators such as installation of casino surveillance systems and LED displays. The provision of the Services to SJM and/or its subsidiaries is a transaction of revenue nature in the ordinary and usual course of business of Elixir and generates income for the Group. Besides, by leveraging on the established track record of providing technology systems and services to SJM and/or its subsidiaries, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

The Board (save for the independent non-executive Directors who would reserve their views until receipt of the letter of advice from the independent financial adviser) is of the view that the terms of the Service Arrangement are fair and reasonable and that they are arrived at after arm's length negotiations and are upon normal commercial terms, in the ordinary and usual course of business of Elixir and the Group and in the interests of the Shareholders as a whole.

GENERAL

An independent board committee of the Company comprising its independent non-executive Directors will be appointed to advise the Independent Shareholders on whether or not the terms of the Service Arrangement are fair and reasonable and in the interests of the Independent Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in respect of the terms of the Service Arrangement.

A circular containing, among other things, (i) further information on the Service Arrangement; (ii) the recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders within 21 days from the date of this announcement.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the same meaning as ascribed to it in the Listing Rules
“Better Joy”	Better Joy Overseas Ltd. holds approximately 23.47% shareholding interest in the Company as at the date of this announcement and is owned by persons and trusts associated with Mr. Lawrence Ho
“Board”	the board of Directors
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, a director of certain subsidiaries of the Company, who beneficially owns approximately 1.51% shareholding interest in the Company as at the date of this announcement
“EGL”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the Service Arrangement and all transactions contemplated thereunder
“Elixir”	Elixir International Limited (formerly known as Elixir Group (Macau) Limited), a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“Elixir Group”	EGL and Elixir
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust
“Lanceford”	Lanceford Company Limited, which holds 3,127,107 shares of the Company, representing approximately 0.25% shareholding interest in the Company as at the date of this announcement and is 100% owned by Dr. Stanley Ho
“Lasting Legend”	Lasting Legend Ltd. holds approximately 9.40% shareholding interest in the Company as at the date of this announcement and is owned by persons and trusts associated with Mr. Lawrence Ho
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

“Maintenance Services”	(i) the maintenance services being provided by Elixir for the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); and (ii) the maintenance and support services to be provided by Elixir to SJM and/or its subsidiaries for the gaming products as contemplated under the Service Arrangement
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer of the Company and son of Dr. Stanley Ho
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Services”	the System Integration Services and (if applicable) the Maintenance Services
“Shareholders”	shareholders of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau
“SJM Holdings”	SJM Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
“Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and SJM, all dated 14 November 2008, regarding the respective provision of: (i) the System Integration Services; and (ii) the Maintenance Services, by Elixir to SJM and/or its subsidiaries
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A., a company incorporated under the laws of Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“System Integration Services” services being provided by Elixir including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera systems and the extra low voltage systems and to provide the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and supply of parts to the existing systems installed at the various casinos and slot halls operated by SJM and/or its subsidiaries

“The L3G Capital Trust” The L3G Capital Trust holds approximately 0.59% shareholding interest in the Company as at the date of this announcement and is owned by persons and trusts associated with Mr. Lawrence Ho

“%” per cent.

By order of the board of
Melco International Development Limited
Tsang Yuen Wai, Samuel
Company Secretary

Hong Kong, 14 November 2008

As at the date of this announcement, the Board comprises three Executive Directors; namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence (Chief Operating Officer); one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel.